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SUBJECT: GOI'S NEW TERROR FINANCE DESIGNATION STRATEGY

Classified By: Economic Counselor David R. Burnett for reasons 1.4 b/d

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Summary  
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11. (C) GOI officials outlined significant changes in Israel's approach to terror finance designations to a USG delegation on June 30-July 1. The Israelis described new efforts to engage previously designated entities (mostly charitable NGOs) to encourage reform and increase funding to legitimate beneficiaries in the Palestinian territories. GOI officials stressed that U.S. designations--especially of the Union of Good (UOG)--had been pivotal in inducing these NGOs to approach the GOI. They termed USG and GOI designations a "huge success" and hoped for continued USG use of designations as behavior modification tools to lead these and other suspect NGOs to work directly with the Israelis. GOI also requested USG assistance in encouraging the EU to designate the UOG. End Summary.

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GOI outlines new designation strategy  
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12. (S/NF) GOI intelligence officials met on June 30-July 1 with U.S. Department of Treasury (DOT) analysts to discuss cooperation on countering terror finance through designations and other forms of economic pressure. GOI officials described recent approaches by various GOI (and, in some instances, U.S.) designated charitable NGOs to discuss removal from GOI's designation list. The GOI is now engaged in direct negotiations with these entities to develop a criteria list for reform. These measures will allow charities to fund legitimate activity in the Palestinian territories, while ensuring that funds are not provided to terrorist organizations. GOI officials noted that since the U.S. designation of the UOG--a charity umbrella to which many of these groups are affiliated--and other charities, funding for illegitimate activity in the territories has dropped sharply. Compounding this scarcity of funds is the fact that many charities do not want to send money to the Palestinian Authority, which they continue to view as corrupt. This includes the previously Hamas-led charities where the PA has replaced various executives with Fatah members. As such, charitable NGOs around the world are trying to figure out how best to fund legitimate activity. The GOI believes that these direct negotiations will provide such an opportunity while decreasing both the need for and the dangers of the PA approach of re-instating ex-Hamas members into leadership positions to try and increase charities' willingness to donate--an issue of concern for the GOI. GOI officials said that they do not care who heads an NGO as long as they are sure it is not funding terrorism.

13. (S/NF) The GOI has provided a set of guidelines to these

charities describing criteria that must be met for removal from the designation list. Chief among these are proving that the charity is no longer funding terrorism (in most cases giving money to Hamas), is no longer connected to the UOG, and is developing some sort of mechanism by which the Israelis can monitor and verify that the NGOs' funds are going to legitimate purposes. The GOI mentioned that the Palestinian Authority is also working against entities involved with the UOG, and hopes that its efforts will dovetail with the PA's. By GOI estimation, only 200 out of the 1000 charitable NGOs operating in the territories are illegitimate (NOTE: The GOI has offered to provide a list of these charities. END NOTE).

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Examples of engagement with designated entities  
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14. (S/NF) The GOI provided several examples of these negotiations. The Ajman Branch of Human Appeal International (HAI-A) recently approached the GOI to remove its designation and agreed to place a representative in Jaffa to oversee all funds transfers and better adhere to Israeli law. This representative would work with the GOI, and Israel would have the opportunity to approve new projects and monitor funds transferred into the Palestinian territories for some unspecified test period (most likely around six months). HAI-A agreed to these conditions and the GOI is in the process of removing its designation (NOTE: In previous meetings, GOI officials told EconOff that since no entity has ever been un-designated, the political and legal details are still being resolved. This will likely lead to a lengthy

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period for any designation removal. END NOTE).

15. (S/NF) Interpal also recently approached the GOI to remove its designation. However, the GOI is planning on moving more slowly through negotiations with Interpal because Israel is not convinced of Interpal's motives and suspects it might resume financing terror activity. GOI officials stressed the importance of increasing international pressure on Interpal to induce them into continuing these negotiations and said that Interpal, like other charitable NGOs, is "very afraid" of broad international designations. Similarly, the IHH in Turkey also approached the GOI. The Israelis have postponed what they believe will be difficult negotiations with them though, since they are still openly raising money for Hamas. With Interpal and IHH Turkey, the GOI is "still thinking" about what to do and would appreciate USG support in ramping up international pressure against these organizations. Finally, GOI officials reiterated that they are in direct discussions regarding the removal of two UAE charities from their designations list: The UAE Red Crescent and the Muhammad bin Rashid Humanitarian and Charity Establishment (MBRHC) and will inform the USG of any assistance required.

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UOG's Lebanese Arm: GOI's new designation priority  
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15. (S/NF) In terms of new counter-terrorism designations, the GOI hopes that the USG will focus on Union of Good's Lebanese Arm. According to the GOI, this arm consists of the Wakfia Institution and the International Alquds Institution, which constitute a part of Hamas' global network and the executive arm of the Union of Good. The Lebanese Wakfia is responsible for aiding families of Hamas fatalities, prisoners and wounded and serves as a financial arm of Hamas headquarters in Syria. They have been designated in Israel since December of 2008. The GOI believes the International Alquds Institution to be linked to Hamas and Muslim Brothers senior members, and to foundations affiliated with the Union of Good. The institution was designated by Israel in May 2009. GOI officials stressed that a USG designation of these

two entities is a high priority for Israel's counter terror finance goals.

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Comment  
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¶6. (C) This new negotiation strategy marks a significant change in GOI's use of designations as a tool to encourage behavioral modification. It provides an opportunity for Israel and charitable NGOs to work together to develop means for getting funds to legitimate recipients in the Palestinian territories, while also building confidence in regional security practices. We view these working-level confidence building measures amongst Israelis, Palestinians and regional neighbors as an important piece in developing further economic cooperation and integration. Embassy will continue to encourage such outreach and coordinate on designation activity.

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